

Gasoline dispute growing in Utah

Commerce director is questioning new market explanation

By Dave Anderton

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The list of explanations for why Utah's gasoline prices remain among the highest in the nation continues to grow — a hot economy, an isolated market, timing issues, supply and demand.



Kim Raff, Deseret Morning News

John Hill, head of the Utah Petroleum Marketers and Retailers Association, defends Tuesday the high prices for gasoline in Utah.

But a new explanation Tuesday by Utah's gasoline retailers — that prices haven't fallen because stations are still using up gasoline purchased weeks ago at higher prices — appeared to be greeted with some skepticism by a state official investigating Utah's pump prices.

"Obviously, someone is doing very well," said Francine Giani, executive director of the Utah Department of Commerce. "I do believe that there are many stations that, in fact, replace their inventories two to three times a week. If that's the case, they've had a month of lower prices, and that has not translated into the price at the pump."

Salt Lake City's wholesale gasoline prices, or so-called rack prices — the price retailers pay refineries for gasoline — have dropped nearly 35 cents to an average of \$2.06 on Tuesday, down from roughly \$2.40 on Aug. 6, according to Lee Peacock, president of the Utah Petroleum Association.

Yet those savings have yet to be passed on to consumers. On Aug. 15, the average price Utah consumers were paying for a gallon of self-serve regular gasoline was \$2.98, according to AAA's Fuel Gauge Report. On Tuesday,

Utahns were paying an average of \$2.89 a gallon. Utah's price continues to rank as the fourth highest in the nation. The national average on Tuesday was \$2.49.

Peacock made his remarks Tuesday before state regulators who have been asked by Gov. Jon Huntsman Jr. to investigate Utah's sky-high gasoline prices.

Yet Peacock, who represents Utah's five oil refineries, was reluctant to point a finger at gasoline retailers, who are his customers. Instead, Peacock said there is no single reason why Utah's average gasoline prices continue to rank higher than other states like Arizona, California and New York.

"I wish there were a great explanation," Peacock said. "The issue is timing. It's just the way Utah's marketplace works. We're slow to go up, and the consumers benefitted. We're slow to come down, and right now the consumers are concerned about that."

Whatever the reason for Utah's high gasoline prices, oil prices, which account for the majority cost in the pricing of gasoline, are falling.

On Tuesday, oil posted its biggest fall in four months and traded near a six-month low after plunging on signs of rising fuel stockpiles. Light sweet crude for October delivery fell \$2.14 to \$61.66 a barrel on the New York Mercantile Exchange, according to the Associated Press. Gasoline futures tumbled 7.58 cents to \$1.5038 a gallon.

John Hill, executive director of the Utah Petroleum Marketers and Retailers Association, said retailers are continuing to work through expensive stockpiles stored underground at their stations.

"Even though the (wholesale price) might be 20 cents cheaper today," Hill said, "they've got to recover the cost of the product that they purchased two weeks ago that was at the higher price."

Noting the frequent inventory turnover at many gas stations, Giani said that explanation doesn't hold up. "Consumers," she said, "have had enough, and we need to try to do something about it."

Hill said it is not government's role to decide what a particular retailer should charge for a gallon of gasoline.

"That's what makes America great," Hill said. "People can make or sell something and then reap the benefits."

The governor last Friday tapped Giani and his energy adviser, Laura Nelson, to investigate why Utah's gasoline prices remain high.